

Message Text

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INFO OCT-01 ADP-00 COME-00 AF-10 ARA-16 EA-11 EUR-25

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NSAE-00 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03 H-03 DODE-00

PA-03 USIA-12 PRS-01 GSA-01 OEP-01 TAR-02 IO-13 /228 R

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

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INFORM CONSULS

E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJECT: U.S. FERROUS SCRAP EXPORTS

1. CURRENT WORLD STEEL BOOM HAS RESULTED IN SHARPLY INCREASED DEMAND, FOREIGN AND DOMESTIC, FOR US FERROUS SCRAP; US IS WORLD'S LEADING SCRAP PRODUCER AND EXPORTER. US SCRAP EXPORTS DURING JAN-MAY 1973 TOTALED 4.8 MILLION NET TONS, UP 91 PERCENT OVER 2.5 MILLION TONS EXPORTED DURING COMPARABLE PERIOD 1972. TOTAL CY1972 SCRAP EXPORTS 7.4 MILLION TONS.

2. JAN-MAY 1973 US SCRAP EXPORTS TO LEADING BUYERS IN UNCLASSIFIED

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THOUSANDS NET TONS, TOGETHER WITH PERCENTAGE CHANGE FROM

COMPARABLE PERIOD 1972 FOLLOW: JAPAN, 2,525, UP 212 PERCENT OVER 809 IN 1972; MEXICO, 429, UP 94 PERCENT OVER 221; CANADA, 392, DOWN 2 PERCENT FROM 400; TAIWAN, 318, UP 154 PERCENT OVER 154; SOUTH KOREA, 294, UP 139 PERCENT OVER 123; SPAIN, 288, UP 8 PERCENT OVER 267; EC (LESS UK), 121, DOWN 50 PERCENT FROM 244 (MOST SCRAP EXPORTS TO EC ARE TO ITALY); PEOPLES REPUBLIC CHINA 63 (NO EXPORTS IN 1972); UK, 30, UP 173PERCENT OVER 11; OTHER, 354, UP 21 PERCENT OVER 293.

3. HEAVY FOREIGN AND DOMESTIC DEMAND FOR FERROUS SCRAP HAS HAD SIGNIFICANT IMPACT ON US SCRAP PRICES OVER PAST YEAR.

COMPOSITE US PRICE (CHICAGO, PITTSBURGH AND PHILADELPHIA) FOR NO. 1 HEAVY MELTING STEEL SCRAP (PRINCIPAL GRADE OF SCRAP USED IN US AND EXPORTED) ROSE FROM \$35.50 PER GROSS TON IN JUNE 1972 TO \$44.50 IN DECEMBER 1972, AND NOW STANDS AT \$55.00. DOMESTIC PRICES FOR MOST GRADES FERROUS SCRAP ARE NOW AT HIGHEST LEVELS IN 16 YEARS. SHARPLY HIGHER SCRAP PRICES AND REPORTED SCARCITY OF DOMESTIC SCRAP SUPPLY LED TO GROWING NUMBER REQUESTS BY US SCRAP CONSUMERS (STEEL INDUSTRY AND FERROUS FOUNDRY INDUSTRY) FOR EXPORT RESTRICTIONS. IN MAY 1973, AMERICAN IRON AND STEEL INSTITUTE (AISI -- LEADING US STEEL INDUSTRY ASSOCIATION) CALLED FOR 7 MILLION TON LIMIT ON SCRAP EXPORTS IN 1973. FOLLOWING JUNE 13, 1973 PRICE FREEZE, WHICH APPLIED TO DOMESTIC SCRAP PRICES BUT NOT TO EXPORT PRICES, AISI REQUESTED COMPLETE EMBARGO ON EXPORTS, ON GROUNDS THAT FROZEN DOMESTIC SCRAP PRICES PLACED SCRAP DEALERS UNDER ADDED PRESSURE TO EXPORT RATHER THAN SELL IN DOMESTIC MARKET. THERE ALSO CONGRESSIONAL INTEREST IN SCRAP SUPPLY SITUATION, AND LEGISLATION PROVIDING FOR AUTOMATICALLY TRIGGERED EXPORT LIMITATIONS HAS BEEN INTRODUCED. IT SHOULD BE NOTED HERE THAT US VIRTUALLY ONLY MAJOR FREE TRADING MARKET FOR SCRAP, WITH MOST OTHER INDUSTRIALIZED NATIONS EITHER BANNING OR SEVERELY LIMITING EXPORTS.

4. IN RECENT MONTHS, USG HAS BEEN CLOSELY FOLLOWING SCRAP PRICE, SUPPLY AND DEMAND DEVELOPMENTS. IN ORDER OBTAIN CURRENT DATA ON FOREIGN DEMAND, USG ON MAY 22, 1973 IM-
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POSED REPORTING REQUIREMENTS UNDER WHICH SCRAP EXPORTERS MUST FILE WITH DEPT COMMERCE WEEKLY REPORTS ON ACCEPTED EXPORT ORDERS; SCHEDULED OR ANTICIPATED MONTH(S) OF SHIPMENT (WITH TONNAGES) BY COUNTRY; AND ACTUAL EXPORTS. THESE DATA SHOWED THAT AS OF JUNE 17, 1973, THE COMBINATION OF CY 1973 SCRAP EXPORTS TO DATE PLUS ACCEPTED ORDERS FOR SHIPMENT DURING REMAINDER OF 1973 HAD REACHED 12.4 MILLION TONS (VS. 7.4 MILLION TONS EXPORTED IN CY 1972,

AND RECORD EXPORTS OF 10.4 MILLION TONS IN 1970)

5. AFTER CAREFUL REVIEW OF ALL FACTORS, SECRETARY OF COMMERCE DENT FOUND THAT THIS HEAVY FOREIGN DEMAND FOR US SCRAP HAD RESULTED IN VERY SERIOUS PRESSURES ON DOMESTIC SUPPLIES AND PRICES, AND HE DETERMINED THAT CRITERIA OF EXPORT ADMINISTRATION ACT OF 1969 HAD BEEN MET. (NOTE: THIS ACT STATES THAT, FROM STANDPOINT OF SHORT SUPPLY CONTROLS, "IT IS THE POLICY OF THE UNITED STATES TO USE EXPORT CONTROLS TO THE EXTENT NECESSARY TO PROTECT THE DOMESTIC ECONOMY FROM THE EXCESSIVE DRAIN OF SCARCE MATERIALS AND TO REDUCE THE SERIOUS INFLATIONARY

IMPACT OF ABNORMAL FOREIGN DEMAND.") ACCORDINGLY, SECRETARY DENT ON JULY 2, 1973, IMPOSED LICENSING REQUIREMENTS FOR ALL US FERROUS SCRAP EXPORTS.

6. US SCRAP LICENSING PROVISIONS ARE AS FOLLOWS: LICENSES FOR EXPORTS AGAINST ORDERS FOR 500 SHORT TONS OR MORE WILL NOT BE GRANTED FOR ORDERS ACCEPTED AFTER JULY 1, 1973. ORDERS ACCEPTED PRIOR TO THAT TIME FOR SHIPMENT IN JULY WILL BE GRANTED LICENSES. LICENSING POLICY FOR ORDERS ACCEPTED JULY 1 OR EARLIER FOR EXPORT AFTER JULY 31 WILL BE ANNOUNCED AT A LATER DATE. UNTIL FURTHER NOTICE, LICENSES VALID FOR 21 DAYS WILL BE ISSUED AGAINST ORDERS FOR LESS THAN 500 SHORT TONS, REGARDLESS OF WHEN THESE WERE ACCEPTED. LICENSING PROVISIONS APPLY TO ALL TEN GRADES FERROUS SCRAP BETWEEN SCHEDULE B NUMBERS 2820010 AND 2820090 (AS SHOWN IN FT-410, US FOREIGN TRADE STATISTICS - EXPORTS). AT PRESENT TIME LICENSING PROVISIONS DO NOT APPLY TO EXPORTS OF SHIPS FOR SCRAPPING (SCHEDULE B NUMBER 7358000). CY1972 EXPORTS THIS LAST ITEM TOTALED 300,000 TONS, OR APPROX. FOUR PERCENT TOTAL SCRAP EXPORTS.

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7. ABOVE LICENSING PROVISIONS APPLY TO ALL EXPORT ORDERS, WHETHER PLACED BY PRIVATE COMPANIES OR INDIVIDUALS, OR STATE-OWNED COMPANIES OR AGENCIES. EXPORT LICENSES WILL NOT BE GRANTED IN CASES WHERE LARGER ORDERS ARE SPLIT INTO LESS THAN 500 TON ORDERS.

8. IN ANNOUNCING JULY 2 SCRAP LICENSING REQUIREMENT, SECRETARY DENT ALSO ANNOUNCED THAT JAPANESE GOVERNMENT HAD INFORMED USG IT WOULD LIMIT CY1973 IMPORTS OF US SCRAP TO 5 MILLION NET TONS, AND SPREAD IMPORTS OVER REMAINDER OF YEAR. EFFECT OF GOJ ACTION WILL BE TO DEFER TO 1974 ONE MILLION TONS NOW ON ORDER BOOKS FOR SHIPMENT DURING SECOND HALF OF CY1973. (NOTE: 1973 SCRAP EXPORTS TO JAPAN PLUS JAPANESE ORDERS ON BOOKS FOR SHIPMENT DURING REMAIN-

DER OF 1973 TOTAL 6.5 MILLION TONS, AND GOJ ACTION TO
LIMIT IMPORTS WILL REDUCE TOTAL TO 5.5 MILLION TONS.
BOTH THESE FIGURES INCLUDE 500,000 TONS PURCHASED BY
JAPANESE TRADING COMPANIES AND DESTINED FOR OTHER COUN-
TRIES, PRINCIPALLY TAIWAN AND KOREA.) SECRETARY DENT
EXPRESSED USG'S APPRECIATION FOR JAPAN'S WILLINGNESS TO
COME FORTH WITH THIS VOLUNTARY SOLUTION TO A VERY DIFFI-
CULT MARKET PROBLEM, AND THEREBY HELP ALLEVIATE SERIOUS

US SUPPLY SITUATION.

9. POSTS MAY DRAW ON ABOVE TO RESPOND TO ANY INQUIRIES
CONCERNING US FERROUS SCRAP EXPORTS. ADDITIONAL INFORMA-
TION CONTAINED PAGE 19 OF JULY 9 ISSUE "COMMERCE TODAY",
AND IN JULY 2-3 USIS WIRELESS FILE. POSTS WILL BE KEPT
INFORMED OF CHANGES IN US SCRAP LICENSING POLICY.

10. POSTS ALSO REQUESTED TO INFORM DEPARTMENT OF ANY HOST
GOVERNMENT ACTIONS TO BAN OR LIMIT FERROUS SCRAP EXPORTS.
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